

**Governmental Relations Department
City of San Diego**

Andrew Poat
Director

Brent Eidson
Deputy Director



To: Honorable Mayor & Members of the City Council
City Manager
Department Directors
From: Andrew Poat

Re: 2004 – 2005 State Budget
Date: January 9, 2004

This memorandum summarizes impacts of the 2004 – 2005 State Budget proposal introduced by Governor Schwarzenegger today upon the City of San Diego.

- City General Fund Revenues
- City Non-General Fund Department Grants
- Transportation
- Community & Economic Development

Please note that the budget was introduced at 11:30am today. All information is deemed reliable, but subject to modification. Bond funding levels and other information will be provided next week.

Overview

Highlights of the Governor's Budget proposal:

(1) Total state spending will DECLINE in the budget year

	General Fund	Special Fund	Bond Funds	Total
2002 (Final)	\$78.763 billion	\$21.335 billion	\$3.2 billion	\$103.21
2003 as adopted	\$76.722 billion	\$19.354 billion	\$2.8 billion	\$98.876
2003 Amended	\$73.3 billion	\$19.354 billion	\$2.8 billion	\$95.454
2004 Final	\$71.4 billion	\$22.3 billion	\$7.5 billion	\$101.2
2005 Proposed	\$76.062 billion	\$21.144 billion	\$1.9 billion	\$99.144

(2) Projected deficit for 2004 – 2005 State Budget: \$14.4 billion. The budget proposal would close the deficit as follows:

<u>Program</u>	<u>Governor's Proposal</u>
Projected growth of existing taxes	\$4,000,000,000
Local Government (including redevelopment)	\$1,300,000,000
Education (K-14)	\$2,000,000,000
Health and Human Services	\$2,700,000,000
Higher Education	\$ 730,000,000
Business, Transportation and Housing	\$1,000,000,000
Tribal Gaming	\$ 500,000,000
<u>General State Government (including booking fees)</u>	<u>\$2,200,000,000</u>
Total increases and reductions:	\$14,430,000,000

(3) City of San Diego GENERAL Fund Impacts

- Vehicle License Fee and Vehicle license Fee Backfill Account fully funded at \$3.8 billion statewide. San Diego will receive \$74.9 million (est)
- State will confiscate an estimated \$9.54 million in property tax revenues previously allocated to the City of San Diego; next year, and each budget year thereafter
- Governor proposes to eliminate Booking Fee Reimbursement program - \$38 million statewide, and \$5.22 million San Diego benefit next year, and each budget year thereafter

Total Annul General Fund reductions: \$14.75 million

(4) City of San Diego Non-General Fund Impacts: Four grant programs that were funded at reduced levels last year will continue to be funded at that lower level – a reduction of \$1.45 million over the FY2003 funding levels

- COPS Funding \$400,000 loss (est.)
- Library Foundation \$565,000 loss (est.)
- Law Enforcement/Technology Grants \$364,000 loss (est.)
- Art & Culture \$122,000 loss (est)

Total ongoing Non-General Fund reductions: \$1.45 million

(5) Redevelopment Agencies will be forced to forfeit \$135 million in funding:

Redevelopment Agency Contribution to ERAF: Budget proposal continues and increases the shift of property taxes from redevelopment agencies to state education programs.

<i>Impact to the City</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
CCDC	\$1,250,000	\$2,010,00	\$2,010,000
City Redevelopment	\$370,000	\$ 488,000	\$488,000
SEDC	\$117,000	\$ 149,000	\$149,000

Total Redevelopment impact: \$2.65 million next year and each year thereafter

(6) Transportation

The Governor proposes to suspend Proposition 42, which will reduce State transportation funding by \$1.1 billion. The San Diego region may lose over \$200 million – forcing SANDAG to reconsider construction schedules for the following projects (See tables on pages 7-8 for details).

**I-5/I-805 Merge
State Route 56
State Route 905
Interstate 15 Managed Lanes
East Village Improvements
MTDB Bus Acquisition**

General Analysis of State Programs affecting the City of San Diego

Educational Revenue Augmentation Fund: The Governor is proposing to increase local governments ERAF contributions by \$1.3 billion statewide.

	<u>Statewide</u>	<u>San Diego Impact</u>
Cities	\$183	\$9.54 million
Counties	\$887	N/A
Redevelopment Agencies	\$135,000,000	\$2.65 million
	<i>CCDC</i>	<i>\$2,010,000</i>
	<i>City Redevelopment</i>	<i>\$488,000</i>
	<i>SEDC</i>	<i>\$149,000</i>
Special Districts	\$105,000,000	

Impact to the City: This proposal impacts the City in two ways: 1) Requires approximately \$9.54 million in ERAF shift from City property tax revenues; 2) Requires approximately \$2.65 million in ERAF shift from the City's Redevelopment Agencies.

Vehicle License Fees & Backfill: Governor proposes full funding of the VLF fees and backfill.

	<u>Statewide Funding</u>	<u>San Diego Benefit</u>
2002 (Final)	\$3.4 billion	\$70.3 million
2003 as adopted	\$3.7 billion	\$72.2 million
<i>2003 as amended</i>	<i>\$2.4 billion</i>	<i>\$27.5 million</i>
2004 Final	\$2.4 billion	\$62.3 million
2005 Proposed	\$3.8 billion	\$74.9 million

Impact to the City: The Governor's proposal provides full funding to local governments from the Motor Vehicle License Fee and the Backfill.

COPS Funding:

	<u>Statewide funding</u>	<u>San Diego Benefit</u>
2002	\$116,300,000	\$2.6 million
2003 as adopted	\$116,300,000	\$2.6 million
<i>2003 as amended</i>	<i>\$116,300,000</i>	<i>\$2.6 million</i>
2004 Final	\$100,000,000	\$2.14 million
2005 Proposed	\$100,000,000	\$2.14 million

Impact to the City: Funding will continue at current levels.

Booking Fees Reimbursement:

	<u>Statewide funding</u>	<u>San Diego Benefit</u>
2002	\$38 million	\$5.2 million
2003 as adopted	\$38 million	\$5.2 million
2003 as amended	\$38 million	\$5.2 million
2004 Final	\$38 million	\$5.2 million
2005 Proposed	\$0 – Eliminated	(\$0)

Impact to the City: A direct loss of \$5.22 million from the City's General Fund.

Library Funding:

	<u>State</u>	<u>San Diego Benefit</u>
2002	\$52.97 million	\$1.7 million
2003 as adopted	\$41.8 million	\$1.6 million
2003 as amended	\$26 million	\$1.03 million
2004 Final	\$15.7 million	\$565,000
2005 Proposed	\$15.8 million	\$565,000

Impact to the City: This state grant funds 21 library staff positions, plus all non-personnel expenses for the fund raising office. A fund balance resulting from previous year savings covers the FY '04 reduction - but will not be sufficient to offset service reduction beginning in '05.

Technology Grants for Local Law Enforcement:

	<u>State</u>	<u>San Diego Benefit</u>
2002	\$70.8 million	\$774,000
2003 as adopted	\$35.4 million	\$364,000
2003 as amended	\$35.4 million	\$364,000
2004 Final	\$0	\$0
2004 Proposed	\$0	\$0

Impact to the City: For the second consecutive year, the Governor's budget proposes eliminated a previous grant program to purchase high-technology equipment.

Arts and Culture: California Arts Council (CAC) funding was all but eliminated in the FY 2004 – 2005 proposed budget. The minimal amount of funding was to administer the program, but did not make grant funds available to local governments or organizations.

	<u>Statewide funding</u>	<u>Arts Community</u>	<u>Arts & Culture Commission</u>
2002	\$31 million	\$612,409	\$159,927
2003 as adopted	\$16 million	\$368,200	\$128,455
2003 as amended	\$15 million	\$TBD	\$122,032
2004 Final	\$1 million	\$0	\$0
2005 Proposed	\$1 million	\$0	\$0

Impact to the City: CAC Grants support the City's Arts & Culture Commission, as well as the regional arts community. One of the principal programs funded is a partnership with the San Diego City Schools Visual and Performing Arts Department. Affects of these reductions have yet to be determined.

Redevelopment Agencies will be forced to forfeit \$135 million in funding:

Redevelopment Agency Contribution to ERAF: Part of the Governor's proposal to shift \$1.3 billion from local governments to ERAF on an ongoing basis vs previous proposals which were short term.

<i>Impact to the City</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
CCDC	\$1,250,000	\$1,250,000	\$2,010,000
City Redevelopment	\$370,000	\$ 370,000	\$488,000
SEDC	\$117,000	\$ 117,000	\$149,000

Transportation

The region is at risk of losing funds at two levels:

- (1) \$189 million allocated to San Diego projects may be lost from the FY 2004 budget
- (2) \$1.1 billion in statewide funding that had been anticipated in FY 2005 will not be provided. San Diego's exact share of these funds had not yet been allocated.

Local Streets & Roads (AB 2928)

	<u>Statewide funding</u>	<u>San Diego Benefit</u>
2002	TBD	\$2.4 million
2003 as adopted	TBD	\$4.4 million
<i>2003 as amended</i>	<i>TBD</i>	<i>IOU for \$1.1 million</i>
2004 Final	TBD	\$2.6
2005 Proposed	TBD	\$TBD

The net effect of these two actions is to reduce transportation spending in our region by some amount in excess of \$200 million. If adopted, SANDAG would be required to revisit the budget of all projects receiving these funds, and, potentially, to defer some of these projects:

Project Under Construction or in Operation

TCRP Projects	TCRP Allocated	Unallocated Balance	TCRP Expended	At Risk if TCRP Discontinued
I-5/I-805 merge	\$19,000,000	\$0	\$2,741,000	\$16,259,000
SR 56 (Middle)	\$21,570,000	\$3,430,000	\$13,912,000	\$11,088,000
SR 905	\$25,000,000	\$0	\$5,865,000	\$19,135,000
I-15 Managed Lanes (Freeway Elements)	\$34,300,000	\$6,900,000	\$28,644,000	\$12,556,000
East Village Improvements	\$15,000,000	\$0	\$461,000	\$14,539,000
MTDB Bus Acquisition	\$21,000,000	\$0	\$3,234,000	\$17,766,000
Total	\$135,870,000	\$90,330,000	\$54,857,000	\$171,343,000

Projects ready to proceed within 6 months

TCRP Projects	TCRP Allocated	Unallocated Balance	TCRP Expended	At Risk if TCRP Discontinued
Double Track Modifications	\$3,448,000	\$21,552,000	\$3,302,000	\$21,698,000
NCTD Bus Acquisition	\$1,300,000	\$7,700,000	\$844,000	\$8,156,000
I-15 Managed Lanes – Transit Element	\$5,700,000	\$23,100,000	\$5,500,000	\$23,300,000
Oceanside Transit Center	\$910,000	\$590,000	\$849,000	\$651,000
Total	\$11,358,000	\$52,942,000	\$10,495,000	\$53,805,000

Projects ready to proceed after December 2004

TCRP Projects	TCRP Allocated	Unallocated Balance	TCRP Expended	At Risk if TCRP Discontinued
SR 52 (SR 125 to SR 67)	\$25,000,000	\$20,000,000	\$24,725,000	\$20,275,000
I-5/Lomas Santa Fe Interchange	\$0	\$6,000,000	\$0	\$6,000,000
Intercity Rail Maintenance Yard	\$0	\$22,000,000	\$0	\$22,000,000
SR 94 Widening	\$4,000,000	\$16,000,000	\$1,107,000	\$18,893,000
Mid-Coast LRT	\$0	\$10,000,000	\$0	\$10,000,000
SR 94/SR 125				

Connectors	\$1,700,000	\$57,029,000	\$840,000	\$57,889,000
I-5/Virginia Avenue Realignment	\$600,000	\$9,400,000	\$115,000	\$9,885,000
Total	\$31,300,000	\$140,429,000	\$26,787,000	\$144,942,000